GOVERNMENT OF INDIA
PLANNING
LOK SABHA

UNSTARRED QUESTION NO:5443
ANSWERED ON:29.08.2001
RAKESH MOHAN COMMITTEE
T.T.V. DHINAKARAN

Will the Minister of PLANNING be pleased to state:

(a) the rate of growth in infrastructure development during the last three years;

(b) the salient features of Rakesh Mohan Committee Report; and

(c) the action taken on the report?

Answer

MINISTER OF STATE (INDEPENDENT CHARGE) OF THE DEPARTMENT OF DISINVESTMENT, MINISTER OF STATE MINISTRIES OF PLANNING, STATISTICS & PROGRAMME IMPLEMENTATION AND MINISTER OF STATE IN THE DEPA OF ADMINISTRATIVE REFORMS AND PUBLIC GRIEVANCES (SHRI ARUN SHOURIE)

(a): The rates of growth in infrastructure sector during the last 3 years are as follows:

Sectors (%)	1998-99	1999-00	2000-01
Electricity Generation	6.6	7.2	3.9
a. Thermal including Nuclear	5.7	9.4	6.3
b. Hydro	11.0	-2.5	-7.8
Core Industries			
Coal	-2.0	3.1	3.3
Steel	1.3	14.9	7.0
Crude Oil	-3.4	-2.4	1.6
Refinery Throughput	5.2	25.3	20.4
Cement	5.7	14.3	-0.5
Railways			
a. Railway Revenue- earning goods traffic	-2.0	8.4	3.7
Ports			
Cargo handled at major ports	0.0	8.0	3.3
Telecommunication			
a. Net switching capacity	36.1	40.2	6.4
b. Net Tele. connections	16.4	29.7	20.5

(b) & (c): Some of the salient features of Rakesh Mohan Committee (The Expert Group on Commercialisation of Infrastructure Projects) and the action/decision taken on the same are given in the enclosed Annexure.

Annexure to parts (b) & (c) of Lok Sabha unstarred question no. 5443 for 29th August 2001 regarding Rakesh Mohan Committee

ACTION/DECISION TAKEN ON THE RECOMMENDATIONS OF RAKESH MOHAN COMMITTEE (EXPERT GROUP ON COMMERCIALISATION OF INFRASTRUCTURE PROJECTS)

RECOMMENDATION	ACTION/DECISION TAKEN
THE REGULATORY FRAME WORK	
a. The present restrictions in Fll guidelines be removed for investment in infrastructure projects; or separate guidelines similar to Fll guidelines without investment limits be issued. Similar guidelines and tax regime should govern any offshore fund set up by a domestic asset management company registered with SEBI or by a domestic institution.	The Union Budget (1996-97) permits FIIs to invest in unlisted companies in the same manner as they were allowed to invest in listed companies. SEBI has issued guidelines to this effect as well. This makes it possible for Flls to invest in infrastructure. Special tax regime exist for Flls and offshore funds in respect of specified incomes (mainly income from units, securities etc). Section 10(23G) of the Income-Tax Act also opens an attractive new route for foreign investments in the infrastructure projects.
b. An autonomous regulatory body be set up for each infrastructure sector, on the lines of SEBt. The funding of the regulatory agency could be from the fees provided by the sponsor/ operator. Government funding should be avoided to the extent possible.	Telecom Regulatory Authority of India (TRAI). Tariff Authority for Major Port (TAMP) and Electricity Regulatory Commission (CERC) have been set up. Department of Expenditure, Ministry of Finance, has indicated that the recommendation merits acceptance. However, all regulatory bodies set up so far are dependent on Government funding. Since fees are essentially proportionate to the service rendered, it is unlikely that fees alone can make an agency self supporting. In fact, these often do not cover even the revenue expenditure of the agencies. It should be the endeavour of regulatory agencies to discover the hidden potential for raising resources so that Government funding is kept to the minimum. Once regulatory agencies assess their financial requirements and are in a position to raise these resources independently, financial automony could be considered. Till such time Govt funding is likely to continue.
c. Overarching legislation for project formats such as Build-Operate-Transfer(BOT), Build-Own-Operate(BOO) and the like governing projects across all sectors on the lines of Philippines, be enacted.	Ministry of Surface Transport has formulated Model (BOT) Concession Agreement for Road Projects and Model BOT License Agreement for Port Projects.
TELECOMMUNICATIONS	

a. MTNL and DOT seek global presence through joint ventures with foreign companies for provision of telecom services in international markets.	Export oriented consortium of Public Sector Undertakings of Department of Telecom Services for seeking global presence through joint ventures with foreign companies for provision of telecom services in international markets can be formed.
b. All telecom license fees be transferred to an Infrastructure Fund for providing debt and equity to infrastructure projects. Telecom can have the first option to utilise a portion of this fund.	The recommendation is for creating a fund out of license fee receipts to provide capital infrastructure projects. While no action has been taken to create a telecom infrastructure fund, the Infrasructure Development Finance Company Ltd. has been set up with seed money from the Government and financial institutions. Separately, the Department of Telecom is pursuing a proposal to constitute a fund out of part of the license fees, to be used as additional resource for meeting the Department`s commitments on non-remunerative projects like rural telephones etc.
ROADS	
a. A Highway Infrastructure Savings Scheme be set up on the pattern of the National Savings Scheme	As per the provision of the Government Savings Bank Act, 75% of funds collected under National Savings Scheme are passed on to the States and remaining 25% is retained by the Centre. For developing a Highway Infrastructure Savings Scheme, several issues are to be decided at the beginning. These are, the agency for execution, cost of collection of funds, devolution pattern between States and Centre etc. It is important to note that any competing saving scheme will be strongly resisted by the states.An option could be to ask states to earmark a portion of the funds being allotted to them for highway development.
b. Substantial portions, if not all, of the revenues from taxes on motor vehicles and transportation fuel be earmarked for road development	The Union Budget of 1998-99 has introduced a tax of Re 1 per litre on petrol, which will generate Rs 790 crore annually. This will be used for road development and to augment the corpus of National Highway Authority of India (NHAI). In Union Budget 1999-2000, a cess of Rs 1 per litre on High Speed Diesel(HSD) was imposed for similar purpose.
INDUSTRIAL PARKS	
a. Industrial parks be treated as infrastructure projects. Same incentives including tax/tariff relief as are available to power, telecom or roads be extended to them.	Industrial parks have been treated at par with infrastructure in Union Budget (1996-`97) and are now being put in the same category of incentives.
b. Industrial parks be made eligible for funds from financial institutions.	Industrial parks have been made eligible for funds from financial institutions.
PORTS	

a. Port authorities be permitted to raise resources from the primary market by debt and equity and from financial institutions	Major Port Trusts do not have a corporate structure and hence they cannot raise resources from primary market in the form of equity. Major ports are permitted under Sec.66 of the Major Port Trust Act, 1963, to raise loans (with approval of the Central Government).
b. Major Port Trust Boards be delegated powers to incur capital expenditure upto Rs. 500 million to facilitate capital expenditure upto Rs. 50 crores for speedy creation and operation of assets.	The Ministry of Surface Transport has delegated powers to major Port Trust Boards for incurring creation of new assets and upto Rs. 100 crores for replacement of old assets. Such expenditure is permissible provided the port authorities sign MOUs with the Government of India and (ii) the expenditure is met out of internal resources only.
c. Ports with private participation to continue to be exempted from corporate taxes.	Major Port Trusts are not liable for paying corporate tax, being Trusts. Tax exemption for infrastructure projects, including port projects is available under Sec.80 of the Income Tax Act. This Section provides 5 years full tax exemption and 30% rebate in payable corporate tax during the subsequent five years, during 15 years period after making the facility operational.
POWER	
a. A Central Electricity Regulatory Commission outside the Government`s operative control.	The Central Electricity Regulatory Commission has been constituted on 25th July 1998.
b. Autonomy of regulatory agencies both at the Centre and state levels,	So far 15 States (Orissa, Haryana, Andhra Pradesh, Uttar Pradesh, Karnataka, West Bengal, Tamil Nadu, Punjab, Delhi, Gujarat,Madhya Pradesh, Arunachal Pradesh, Maharashtra, Rajasthan and Himachal Pradesh) have either constituted or notified the constitution of State Electricity Regulatory Commissions (SERCs) SERCs of 9 States viz. Orissa, Andhra Pradesh, Maharashtra, Gujarat, Uttar Pradesh, Karnataka, Haryana, Rajasthan and Delhi have issued tariff orders.
c. Restructuring of SEBs into compact viable corporatised units that separate to a feasible degree the generation, transmission and distribution functions etc.	The State Power Utilities in respect of Orissa, Haryana, Andhra Pradesh, Karnataka, Uttar Pradesh and Rajasthan have been unbundled/corporatised. Other States are in the process of delinking generation, transmission, distribution as separate entities/profit centers.